GASB 87 - Guidance for Implicit Interest Rate

Machinery and Equipment

Effective 07/01/2024, the implicit interest rate for Machinery and Equipment will follow the rate as determined in the statewide contract with Ontario Investments Inc.

Implicit Interest Rate = Bank Prime Rate effective at Commencement of Lease Term + Applicable Lease Spread

Bank prime loan rate can be located at JP Morgan Chase Historical Prime Rate.

Lease Spread (effective for leases commencing **after** 07/01/2024)

Term/Payment Schedule	**Paid Annually in Advance**	**Paid Monthly In Arrears**
3 years (36 months)	3.00%	3.10%
4 years (48 months)	5.00%	5.10%
5 years (60 months)	6.00%	6.10%

Example: The Bank Prime rate effective as of 07/01/2024 is 8.5%. If a 5-year copier lease paid monthly commences on 07/01/2024, the implicit interest rate would be:

14.6% = 8.5% Bank Prime Rate + 6.10% Applicable Lease Spread

Prior to 07/01/2024 the Machinery and Equipment implicit rate was based on the Presidio Technology Capital, LLC statewide contract.

Implicit Interest Rate = Bank Prime Rate effective at Commencement of Lease Term + Applicable Lease Spread

Lease Spread (effective for leases commencing **before** 07/01/2024)

Term/Payment Schedule	**Paid Annually in Advance**	**Paid Monthly In Arrears**
3 years (36 months)	1.716837%	1.786767%
4 years (48 months)	1.858477%	1.909964%
5 years (60 months)	1.968915%	2.011510%

*Effective thru FY2031